

## Debt Service Fund

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### **PURPOSE**

The County Debt Service Fund provides for the payment of principal and interest on long-term general obligation debt of the County. These debt service payments are usually for a period of 20 years before the bonds are fully repaid. The lease-purchase financing for the new radio system is expected to be financed over eight years while the Mainland Farm acquisition is a 10-year financing.

### **BUDGET COMMENTS**

Fund Balance -The fund balance was initially set up to stabilize current and future tax rates by absorbing annual increases in debt service payments without resorting to increases in tax rates. That continues but as this fund balance stabilizes at \$4,900,000 it will act as a shock absorber for new borrowing through 2010 and cover balloon payments to be made similar to that required for Mainland Farms.

Revenues - Contributions from the County's General Fund are the basic source of revenue. Investment income on bond proceeds and certain nonrecurring revenues may also be realized.

Expenditures - Debt Service spending includes both the principal payments on bonds sold to investors and the interest payments on those bonds. Only one new financing is anticipated for the County 800 Mhz radio system.

The indebtedness incurred to acquire the Warhill (District Sports Park) Tract was retired in FY 2000. A 20-year Literary Fund borrowing to rehabilitate Mathew Whaley School was retired in FY 2001. An option to acquire Mainland Farm was executed and annual payments will be made until FY 2010 when a \$660,000 balloon payment is due. The first annual payment was made in FY 2001.

A lease-purchase financing for an \$8.5 million 800-mhz radio system is expected in FY 2002, pending a decision on the system design. Both stand-alone and regional alternatives are being evaluated.

Beginning in FY 2003, the expenditure schedule assumes that the County would repay Transportation Improvement District indebtedness to Governor's Land Associates and to the Virginia Department of Transportation for part of the costs of the extension of Monticello Avenue.